City of Mesa

FY 2020/21

Utility Enterprise Fund Forecast and Rates Recommendations

City Council Study Session September 17, 2020

Presented by:

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Utility Enterprise Operations

- Each utility is operated as a separate business center
- Reserve balance can be used to smooth rate adjustments year-to-year
- Reserve balance can be used to phase in new programs or changes in operations

Financial Principles

- Balanced net sources and uses
- 20% or higher reserve fund balance
- Rate adjustments that are predictable and smoothed throughout the forecast
- Equity between residential and non-residential rates
- Affordable utility services

Utility Enterprise Fund Forecast: No Rate Adjustments

For Planning Purposes Only

*	Balanced Net S&U
*	20% Fund Balance
	Smoothed Adjustments
*	Equity Res. & Non-Res.
	Affordable Services

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As of 08/16/2020	FY 20/21 Projected	FY 21/22 Forecast	FY 22/23 Forecast	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast
WATER	(\$170,094)	(\$4,984,116)	(\$7,460,577)	(\$6,779,287)	(\$13,052,033)	(\$15,116,050)
WASTEWATER	(\$13,491,202)	(\$12,754,447)	(\$13,146,817)	(\$15,845,832)	(\$16,714,813)	(\$17,843,866)
SOLID WASTE	\$3,725,506	\$963,766	\$1,394,272	(\$393,794)	\$875,847	\$1,013,800
ELECTRIC	\$1,386,515	\$152,000	(\$454,956)	(\$1,400,619)	(\$1,419,666)	(\$2,023,613)
NATURAL GAS	\$1,958,550	(\$1,057,181)	(\$2,253,111)	(\$3,333,798)	(\$3,238,758)	(\$3,729,172)
DISTRICT COOLING	(\$251,566)	(\$110,159)	(\$156,107)	(\$150,469)	(\$238,691)	(\$390,925)
TOTAL NET SOURCES AND USES	(\$6,842,292)	(\$17,790,137)	(\$22,077,297)	(\$27,903,799)	(\$33,788,113)	(\$38,089,827)
Beginning Reserve Balance	\$135,470,845	\$128,628,553	\$110,838,417	\$88,761,120	\$60,857,321	\$27,069,207
Ending Reserve Balance	\$128,628,553	\$110,838,417	\$88,761,120	\$60,857,321	\$27,069,207	(\$11,020,619)
Ending Reserve Balance Percent* *As a % of Next Fiscal Year's Expenditures	31.6%	26.7%	20.9%	14.0%	6.1%	-2.4%
WATER Residential	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
WATER Non-Residential	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
WASTEWATER Residential	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
WASTEWATER Non-Residential	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SOLID WASTE Residential					0.0007	0.00%
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SOLID WASTE Commercial	0.00% 4.00%	0.00% 2.00%	0.00% 2.00%	0.00% 2.00%	2.00%	2.00%
SOLID WASTE Commercial SOLID WASTE Rolloff ELECTRIC Residential - svc charge only	4.00%	2.00%	2.00%	2.00%	2.00%	2.00%
SOLID WASTE Rolloff	4.00% 2.00%	2.00% 2.00%	2.00% 2.00%	2.00% 2.00%	2.00% 2.00%	2.00% 2.00%
SOLID WASTE Rolloff ELECTRIC Residential - svc charge only	4.00% 2.00% \$0.00	2.00% 2.00% \$0.00	2.00% 2.00% \$0.00	2.00% 2.00% \$0.00	2.00% 2.00% \$0.00	2.00% 2.00% \$0.00

Utility Enterprise Fund Forecast: FY 25/26 Balanced Net Sources & Uses

For Planning Purposes Only

	Balanced Net S&U
	20% Fund Balance
	Smoothed Adjustments
V	Equity Res. & Non-Res.
*	Affordable Services

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As of 08/17/2020	FY 20/21 Projected	FY 21/22 Forecast	FY 22/23 Forecast	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast
WATER	\$596,627	(\$1,048,693)	(\$205,484)	\$3,935,297	\$1,237,726	\$2,764,980
WASTEWATER	(\$12,984,174)	(\$10,092,584)	(\$8,207,513)	(\$8,515,511)	(\$6,908,221)	(\$5,422,729)
SOLID WASTE	\$4,028,650	\$1,904,900	\$3,175,091	\$2,272,961	\$4,473,500	\$5,591,629
ELECTRIC	\$1,526,727	\$574,495	\$310,320	(\$288,041)	\$44,675	(\$203,048)
NATURAL GAS	\$2,310,474	\$4,995	(\$311,780)	(\$476,115)	\$536,357	\$979,911
DISTRICT COOLING	(\$251,566)	(\$110,159)	(\$156,107)	(\$150,469)	(\$238,691)	(\$390,925)
TOTAL NET SOURCES AND USES	(\$4,773,261)	(\$8,767,045)	(\$5,395,474)	(\$3,221,879)	(\$854,653)	\$3,319,819
Beginning Reserve Balance	\$135,470,845	\$130,697,584	\$121,930,539	\$116,535,065	\$113,313,186	\$112,458,533
Ending Reserve Balance	\$130,697,584	\$121,930,539	\$116,535,065	\$113,313,186	\$112,458,533	\$115,778,352
Ending Reserve Balance Percent* *As a % of Next Fiscal Year's Expenditures	31.7%	28.7%	26.5%	25.1%	24.1%	24.1%
WATER Residential	2.50%	2.50%	2.50%	2.50%	2.50%	1.50%
WATER Non-Residential (usage only)	5.00%	5.00%	5.00%	5.00%	5.00%	3.00%
WASTEWATER Residential	4.00%	4.00%	4.00%	4.00%	4.00%	3.50%
WASTEWATER Non-Residential	4.00%	4.00%	4.00%	4.00%	4.00%	3.50%
SOLID WASTE Residential	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
SOLID WASTE Commercial	4.00%	3.00%	3.00%	3.00%	3.00%	3.00%
SOLID WASTE Rolloff	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
ELECTRIC Residential - svc charge only	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
ELECTRIC Non-Residential - svc charge only	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
CAC Decidential leve shares only		¢4 EO	\$1.50	\$1.50	\$1.50	\$1.50
GAS Residential - svc charge only	\$1.50	\$1.50	\$1.50	\$1.00	\$1.00	¥1.00

Utility Enterprise Fund Forecast: Draw Down Rate Adjustments

For Planning Purposes Only

\checkmark	Balanced Net S&U
	20% Fund Balance
×	Smoothed Adjustments
\square	Equity Res. & Non-Res.
\square	Affordable Services

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As of 09/02/2020	FY 20/21 Projected	FY 21/22 Forecast	FY 22/23 Forecast	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast
WATER	\$110,345	(\$3,500,265)	(\$4,730,057)	(\$660,073)	\$3,064,956	\$9,745,324
WASTEWATER	(\$13,302,523)	(\$11,743,589)	(\$11,289,256)	(\$11,837,790)	(\$6,301,740)	(\$1,836,899)
SOLID WASTE	\$3,709,462	\$925,069	\$1,600,988	\$3,385,365	\$8,088,403	\$11,071,572
ELECTRIC	\$1,477,744	\$518,976	\$277,620	(\$249,856)	\$194,584	\$39,036
NATURAL GAS	\$2,182,874	(\$306,296)	(\$903,006)	(\$1,200,341)	(\$185,021)	\$288,757
DISTRICT COOLING	(\$251,566)	(\$110,159)	(\$156,107)	(\$150,469)	(\$238,691)	(\$390,925)
TOTAL NET SOURCES AND USES	(\$6,073,664)	(\$14,216,264)	(\$15,199,817)	(\$10,713,165)	\$4,622,492	\$18,916,864
Beginning Reserve Balance	\$135,470,845	\$129,397,181	\$115,180,917	\$99,981,100	\$89,267,935	\$93,890,427
Ending Reserve Balance	\$129,397,181	\$115,180,917	\$99,981,100	\$89,267,935	\$93,890,427	\$112,807,291
Ending Reserve Balance Percent* *As a % of Next Fiscal Year's Expenditures	31.6%	27.5%	23.0%	19.6%	19.8%	22.9%
WATER Residential	0.00%	0.00%	0.00%	9.00%	9.00%	0.00%
WATER Non-Residential (usage only)	4.00%	4.00%	4.00%	11.00%	11.00%	4.00%
WASTEWATER Residential	0.00%	0.00%	0.00%	11.00%	11.00%	0.00%
WASTEWATER Non-Residential	3.50%	3.50%	3.50%	11.00%	11.00%	3.00%
SOLID WASTE Residential	0.00%	0.00%	0.00%	8.00%	8.00%	0.00%
SOLID WASTE Commercial	3.50%	2.00%	2.00%	2.00%	2.00%	2.00%
SOLID WASTE Rolloff	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%
ELECTRIC Residential - svc charge	\$1.00	\$1.50	\$2.00	\$2.50	\$2.50	\$2.50
	¥1.00					
ELECTRIC Non-Residential - svc charge	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
ELECTRIC Non-Residential - svc charge GAS Residential - svc charge		\$2.50 \$0.50	\$2.50 \$0.75	\$2.50 \$1.00	\$2.50 \$1.00	\$2.50 \$1.00

Utility Enterprise Fund Forecast: FY 20/21 Recommended Rate Adjustments

>	Balanced Net S&U
	20% Fund Balance
	Smoothed Adjustments
	Equity Res. & Non-Res.
	Affordable Services

As of 09/08/2020	FY 20/21 Projected	FY 21/22 Forecast	FY 22/23 Forecast	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast
WATER	\$ 430,158	(\$1,882,070)	(\$1,748,628)	\$1,644,732	(\$1,812,306)	(\$738,851)
WASTEWATER	(\$13,020,598)	(\$10,282,065)	(\$8,486,135)	(\$8,642,281)	(\$6,864,876)	(\$5,106,376)
SOLID WASTE	\$3,709,462	\$1,106,445	\$2,281,696	\$1,280,248	\$3,377,725	\$4,387,995
ELECTRIC	\$1,449,220	\$428,351	\$184,489	(\$344,983)	\$97,774	(\$58,289)
NATURAL GAS	\$2,182,874	(\$306,296)	(\$903,006)	(\$1,200,341)	(\$185,021)	\$288,757
DISTRICT COOLING	(\$251,566)	(\$110,159)	(\$156,107)	(\$150,469)	(\$238,691)	(\$390,925)
TOTAL NET SOURCES AND USES	(\$5,500,449)	(\$11,045,795)	(\$8,827,691)	(\$7,413,095)	(\$5,625,395)	(\$1,617,690)
Beginning Reserve Balance	\$135,470,845	\$129,970,396	\$118,924,601	\$110,096,910	\$102,683,815	\$97,058,420
Ending Reserve Balance	\$129,970,396	\$118,924,601	\$110,096,910	\$102,683,815	\$97,058,420	\$95,440,730
Ending Reserve Balance Percent* *As a % of Next Fiscal Year's Expenditures	31.6%	28.1%	25.2%	22.8%	20.9%	20.0%
WATER Residential	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
WATER Non-Residential (usage only)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
WASTEWATER Residential	3.50%	3.50%	4.50%	4.50%	4.50%	4.50%
WASTEWATER Non-Residential	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
SOLID WASTE Residential	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%
SOLID WASTE Commercial	3.50%	2.00%	2.00%	2.00%	2.00%	2.00%
SOLID WASTE Rolloff	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%
ELECTRIC Residential - svc charge	\$1.00	\$1.50	\$2.00	\$2.50	\$2.50	\$2.50
ELECTRIC Non-Residential - svc charge	\$0.00	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
GAS Residential - svc charge	\$0.25	\$0.50	\$0.75	\$1.00	\$1.00	\$1.00
GAS Non-Residential - svc charge	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00

Schedule for FY 2020/21 Utility Rates Adjustment Recommendation

Sept 21 – City Council Action on Notice of Intent

Nov 16 – Introduce Utility Rate Ordinances

Dec 1 — City Council Action on Utility Rates

Jan 1 – Effective date for Utility Rate changes

